

**Manning Municipal Light Plant  
Independent Auditor's Report  
Basic Financial Statements  
Supplemental Information  
Schedule of Findings**

**December 31, 2009 and 2008**



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**Manning Municipal Light Plant  
Officials  
December 31, 2009**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Rasmussen	Trustee	December 31, 2010
Lynn Stein	Trustee	December 31, 2011
Kirk Huehn	Trustee	December 31, 2012
Rick Lohrmann	Trustee	December 31, 2013
Duane Monson	Trustee	December 31, 2014
John Detlefsen	Trustee	Resigned February 2009
Kent Hilsabeck	Manager	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

February 15, 2010

### Independent Auditor's Report

Lonnie G. Muxfeldt  
Certified Public  
Accountant

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Iowa  
Missouri

To the Board of Trustees  
Manning Municipal Light Plant  
Manning, IA 51455

I have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of the Manning Municipal Light Plant (a municipal utility) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Manning Municipal Light Plant's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Manning Municipal Light Plant as of December 31, 2008 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 15, 2009.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

February 15, 2010  
Manning Municipal Light Plant  
Independent Auditor's Report

As described in Note 1, the financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2009 and the respective changes in financial position and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* I have also issued my report dated February 15, 2010, on my consideration of the Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of law, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. I have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.





February 15, 2010  
Manning Municipal Light Plant  
Independent Auditor's Report

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Light Plant's basic financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financials statements taken as a whole. Information in Schedule 4 has not been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, accordingly, I express no opinion on it.

*Murphy & Associates, CPA, P.C.*



**Manning Municipal Light Plant  
Management's Discussion and Analysis  
December 31, 2009**

The management of Manning Municipal Light Plant offers this narrative overview and analysis of the financial activities of the Utility for the year ended December 31, 2009. Management encourages readers to consider this information in conjunction with the Utility's financial statements, which follow.

**Financial Highlights**

Operating revenues increased by 25% for the year ended December 31, 2009.

Operating expenses increased by 4.5%.

Net assets increased by 2.5% or \$143,975 for the year ended December 31, 2009.

Cash increased by \$151,002 or 6.7%.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Utility's basic financial statements. The Utility's statements consist of 1) basic financial statements, 2) notes to the financial statements, and 3) supplemental information.

The financial statements consist of a Balance Sheet, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplemental information provides schedules of capital assets and accumulated depreciation, investments and interest income, comparative operating expenses and statistical data.

## Financial Analysis of the Utility

The analysis that follows focuses on the balance sheet classes and changes in the net assets for this business type activity.

### Balance Sheet December 31, 2009 and 2008

#### Business Type Activity - Enterprise Fund

	Year Ended	
	12/31/09	12/31/08
Current assets	\$ 2,838,098	\$ 2,622,356
Capital assets	3,435,938	3,717,009
Other assets	1,287,508	1,166,011
Total assets	<u>\$ 7,561,544</u>	<u>\$ 7,505,376</u>
Current liabilities	\$ 311,371	\$ 289,178
Non-current liabilities	1,295,000	1,405,000
	<u>\$ 1,606,371</u>	<u>\$ 1,694,178</u>
Net assets:		
Invested in capital assets, net of debt	\$ 2,030,938	\$ 2,207,009
Restricted	194,320	193,120
Unrestricted	3,729,915	3,411,069
Total net assets	<u>\$ 5,955,173</u>	<u>\$ 5,811,198</u>

Current assets constitute 38% of total assets and exceed current liabilities by nine to one, a healthy working capital ratio. Capital assets constitute 45% of total assets and represent the cost of infrastructure, buildings and equipment and is reported net of accumulated depreciation. Other assets constitute 18% of total assets and consist of 1) deferred patronage from WIMECA, 2) the long term portion of notes receivable from the City of Manning, the Manning Municipal Cable and Television System Utility and the Manning Betterment Foundation, and 3) deferred discount fees.

Non-current liabilities decreased by 8%. Net assets exceed total liabilities by four to one, indicating a healthy debt to equity ratio. Unrestricted net assets represents net surplus for operations and net assets not restricted by loan covenants, enabling legislation or constitutional provisions. Net assets increased by 2.5% for the year ended December 31, 2009.

Changes in Net Assets  
December 31, 2009 and 2008

Business Type Activity - Enterprise Fund

	<u>Year Ended</u>	
	<u>12/31/09</u>	<u>12/31/08</u>
Revenues:		
Charges for services	\$ 1,934,829	\$ 1,687,216
Miscellaneous income	-0-	6,109
Interest income	76,227	115,548
Rental income	171,960	-0-
Member charge refunds	80,709	55,161
WIMECA dividends	162,624	82,099
Total revenues	<u>2,426,349</u>	<u>1,946,133</u>
Operating expenses:		
Production	1,520,771	1,316,911
Distribution	264,468	263,104
Accounting and collection	44,327	56,666
Administrative and general	184,647	188,083
Total operating expenses	<u>2,014,213</u>	<u>1,824,764</u>
Revenues over operating expenses	412,136	121,369
Other expenses:		
Amortization	1,127	1,127
Depreciation - comm. infrastructure	139,473	139,473
Interest expense	81,688	86,759
Community contributions	45,873	131,234
Total other expenses	<u>268,161</u>	<u>358,593</u>
Increase (decrease) in net assets	143,975	(237,224)
Net assets, beginning of year	<u>5,811,198</u>	<u>6,048,422</u>
Net assets, end of year	\$ <u>5,955,173</u>	\$ <u>5,811,198</u>

Total revenue increased by 25% from the prior year due to the following: 1) The Light Plant received rental income from the Communications Utility according to the terms of the joint use agreement, as explained in Footnote 15, 2) the 10% electric rate increase effective January 1, 2009 and 3) the WIMECA patronage allocation. Operating expenses increased by 10% as forecasted a year ago. Net assets increased by \$143,975 for a 2.5% return on equity.



## Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, vehicles, electric lines, and other infrastructure. Changes in capital assets for the year ended December 31, 2009 are as follows:

		2009
Capital assets, beginning of year	\$	8,343,107
Additions		49,445
Retirements		(831,145)
Capital assets, end of year	\$	<u>7,561,407</u>
Less: accumulated depreciation		<u>4,125,469</u>
Net capital assets	\$	<u><u>3,435,938</u></u>

Additions to capital assets included improvements to underground distribution, replacement of meters and the purchase of a software upgrade. Retirements represent a general clean up of the depreciation schedule. Depreciation charged against revenue was \$330,516.

## Long-Term Debt

At December 31, 2009, the Utility had \$1,295,000 in long-term debt outstanding for business type activities. The Utility retired \$105,000 of bonds, expensed \$81,688 of interest, and did not issue any revenue bonds during the year ended December 31, 2009.

## Future Financial Statement Impact

For the year ended December 31, 2009, interest income declined by 34% or over \$39,000. This decline is a direct result of the Federal Reserve Bank's low interest rate policy and poses a unique challenge to the Electric Utility in the sense that 38% of the Utility's assets bear interest as demand deposits, savings accounts, certificates of deposit and notes receivable from the City of Manning, the MMCTSU Utility and the Manning Betterment Foundation. Traditionally, interest income buoyed the profitability of the Utility. This may not be the case in the foreseeable future, however.

## Requests for Information

Requests for additional information can be made to the Manning Municipal Light Plant's manager, Kent Hilsabeck, 719 Third Street, Manning, Iowa 51455.





## **Basic Financial Statements**

**Exhibit A**

**Manning Municipal Light Plant  
Balance Sheets  
December 31, 2009 and 2008**

**ASSETS**

	<u>2009</u>	<u>2008</u>
Current Assets		
Unrestricted		
Cash	\$ 295,766	\$ 297,999
Accounts receivable - customers net of allowance for doubtful accounts	233,603	187,548
Interest receivable	24,659	27,185
Accounts receivable - other	47,598	1,915
Inventory	87,544	101,650
Prepaid expenses	7,446	10,972
Municipal notes receivable - current portion	25,000	25,000
Foundation note receivable - current portion	-0-	6,840
Investments	1,922,162	1,770,127
Total unrestricted current assets	<u>2,643,778</u>	<u>2,429,236</u>
Restricted		
Customer deposits	5,000	3,800
Investments	189,320	189,320
Total restricted current assets	<u>194,320</u>	<u>193,120</u>
Total current assets	2,838,098	2,622,356
Capital assets		
Telecommunication infrastructure	2,337,118	2,337,118
Production	1,193,307	1,209,607
Transmission	8,754	16,504
Distribution	3,537,561	4,208,149
General	484,667	571,729
	<u>7,561,407</u>	<u>8,343,107</u>
Less accumulated depreciation	4,125,469	4,626,098
Net capital assets	<u>3,435,938</u>	<u>3,717,009</u>
Other Assets		
Deferred patronage - WIMECA	823,748	661,124
Municipal notes receivable, net of current portion	385,000	425,000
Foundation note receivable, net of current portion	68,055	68,055
Underwriter's discount fees - net of accumulated amortization	10,705	11,832
	<u>1,287,508</u>	<u>1,166,011</u>
Total assets	\$ <u>7,561,544</u>	\$ <u>7,505,376</u>

See accompanying notes to financial statements

**Exhibit A**  
**Continued**

**Manning Municipal Light Plant**  
**Balance Sheets**  
**December 31, 2009 and 2008**

**LIABILITIES AND NET ASSETS**

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Payable from unrestricted current assets:		
Accounts payable	\$ 151,948	\$ 139,799
Payroll taxes payable	4,206	4
Salaries, vacation, and sick leave payable	31,376	31,450
Sales tax payable	2,439	2,281
Total payables from unrestricted current liabilities	189,969	173,534
Payable from restricted current liabilities:		
Current portion of bonds payable	110,000	105,000
Accrued interest payable	6,402	6,844
Customer deposits	5,000	3,800
Total payables from restricted current liabilities	121,402	115,644
Total current liabilities	311,371	289,178
Bonds payable, net of current portion	1,295,000	1,405,000
Total liabilities	1,606,371	1,694,178
Net Assets		
Invested in capital assets, net of related debt	2,030,938	2,207,009
Restricted for:		
Principal and interest reserve	189,320	189,320
Customer deposits	5,000	3,800
Unrestricted	3,729,915	3,411,069
Total net assets	5,955,173	5,811,198
Total liabilities and net assets	\$ 7,561,544	\$ 7,505,376

See accompanying notes to financial statements

**Exhibit B**

**Manning Municipal Light Plant  
Statements of Revenues, Expenses, and  
Changes in Net Assets  
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Sale of electricity		
Residential	\$ 555,595	\$ -0-
Small commercial	146,076	-0-
Industrial	859,036	-0-
Large commercial	352,377	-0-
Street lights	17,913	-0-
Residential	-0-	504,795
Commercial	-0-	199,149
Industrial	-0-	937,936
Municipal	-0-	42,375
Total sale of electricity	<u>1,930,997</u>	<u>1,684,255</u>
Other operating revenues		
Forfeited discounts	1,741	1,609
Merchandise sales, net of cost	309	998
Connection fees	147	354
Miscellaneous income	1,635	-0-
Total other operating revenue	<u>3,832</u>	<u>2,961</u>
Total operating revenue	1,934,829	1,687,216
Operating Expenses		
Production	1,520,771	1,316,911
Distribution	264,468	263,104
Accounting and collection	44,327	56,666
Administration and general	184,647	188,083
Total operating expenses	<u>2,014,213</u>	<u>1,824,764</u>
Net operating income	(79,384)	(137,548)

See accompanying notes to financial statements

**Exhibit B**  
**Continued**

**Manning Municipal Light Plant**  
**Statements of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>		<u>2008</u>
Non-operating Revenues (Expenses)			
Interest income	\$ 76,227	\$	115,548
Rental income	171,960		-0-
Junk sales	-0-		6,109
Amortization expense - bond fees	(1,127)		(1,127)
Member charge refunds	80,709		55,161
WIMECA dividends	162,624		82,099
Interest expense	(81,688)		(86,759)
Depreciation expense -			
communication infrastructure	(139,473)		(139,473)
Contribution - payment in lieu of taxes	(23,000)		(11,502)
Contribution - main street project	(2,000)		(2,000)
Contribution - various projects	(2,235)		(2,220)
Contribution - economic development	(15,000)		(15,000)
Contribution - housing rehabilitation	(3,638)		(512)
Contribution - street improvements	-0-		(100,000)
Total non-operating revenues (expenses)	<u>223,359</u>		<u>(99,676)</u>
Changes in net assets	143,975		(237,224)
Net assets, beginning of year	<u>5,811,198</u>		<u>6,048,422</u>
Net assets, end of year	\$ <u>5,955,173</u>	\$	<u>5,811,198</u>

See accompanying notes to financial statements

**Exhibit C**

**Manning Municipal Light Plant**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 1,884,942	\$ 1,669,161
Cash received from other revenues	3,832	2,961
Cash paid to suppliers	(1,460,689)	(1,250,211)
Cash paid for personal services	(187,659)	(167,895)
Cash paid to employees	(186,438)	(159,622)
Net cash provided (used) by operating activities	<u>53,988</u>	<u>94,394</u>
Cash Flows From Noncapital Financing Activities:		
Miscellaneous contributions	(5,873)	(2,732)
Miscellaneous income	-0-	6,109
Change in customer deposits	1,200	300
Net cash provided (used) for capital and related financing activities	<u>(4,673)</u>	<u>3,677</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(49,445)	(58,821)
Interest paid on bonds	(82,130)	(87,180)
Principal paid on bonds	(105,000)	(100,000)
Net cash provided (used) by capital and related financing activities	<u>(236,575)</u>	<u>(246,001)</u>
Cash Flows From Investing Activities:		
Principal advanced on notes	-0-	(175,000)
Principal received on notes	46,840	37,865
Member charge refunds	80,709	55,161
Interest on investments	78,753	124,358
Contributions - economic development	(40,000)	(128,502)
Rental income	171,960	-0-
Net cash provided (used) by investing activities	<u>338,262</u>	<u>(86,118)</u>
Net increase (decrease) in cash	151,002	(234,048)
Cash, Beginning of year	<u>2,261,246</u>	<u>2,495,294</u>
Cash, End of year	\$ <u>2,412,248</u>	\$ <u>2,261,246</u>

See accompanying notes to financial statements

**Exhibit C**  
**Continued**

**Manning Municipal Light Plant**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating Income (loss)	\$ (79,384)	\$ (137,548)
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	191,043	204,381
Net (increase) decrease in:		
Accounts receivable - customers	(46,055)	(15,094)
Accounts receivable - other	(45,683)	-0-
Inventories	14,106	6,649
Prepaid expenses	3,526	(500)
Net increase (decrease) in:		
Accounts payable	12,149	32,903
Sales tax payable	158	(371)
Salaries payable	(74)	3,973
Payroll taxes payable	4,202	1
	<u>53,988</u>	<u>94,394</u>
Net cash provided by operating activities	\$ <u>53,988</u>	\$ <u>94,394</u>
 Reconciliation of cash and cash equivalents at		
year end to specific assets included on the		
Balance Sheet		
Current assets:		
Cash and pooled investments	\$ 2,217,928	\$ 2,068,126
Restricted assets:		
Cash and pooled investments:		
Principal & interest reserve	189,320	189,320
Customer deposits	5,000	3,800
	<u>2,412,248</u>	<u>2,261,246</u>
Cash and cash equivalents end of year	\$ <u>2,412,248</u>	\$ <u>2,261,246</u>

See accompanying notes to financial statements





## **Notes to Financial Statements**

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(1) Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Manning Municipal Light Plant is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Light Plant is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board (GASB) criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

**B. Jointly Governed Organizations**

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: Manning Municipal Communication and Television System Utility, Manning Betterment Foundation, the Western Iowa Municipal Electric Cooperative Association, and Manning Economic Development Corporation.

**C. Nature of Business**

Formed as an Electric Utility in 1934, the Manning Municipal Light Plant distributes electricity to the residents and businesses of Manning, Iowa. The Utility's revenues are dependent upon the economic condition of its residential, commercial, industrial and municipal customers.

**Manning Municipal Light Plant**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Measurement Focus and Basis of Accounting**

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund of the Electric Utility applies all applicable Governmental Accounting Standards Board (GASB) pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. The principal operating revenues of the Electric Utility are charges to customers for sales and services. Operating expenses for the Electric Utility include production, distribution, accounting and collection, and administrative and general expenses including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Electric Utility maintains its accounting records on the basis of cash receipts and disbursements. For financial reporting purposes, accruals are recorded in conformity with U.S. generally accepted accounting principles.

The Balance Sheet presents the Electric Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those capital assets.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

D. Measurement Focus and Basis of Accounting (Continued)

Restricted net assets result when constraints placed on the use of net assets are externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the criteria of the two preceding categories. Unrestricted net assets often have constraints on resources that management can impose, remove or modify.

E. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted with that of the City of Manning following required public notice and hearing. The budgetary comparison and related disclosures are reported as part of the basic financial statements rather than as Required Supplementary Information.

F. Cash and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposit. For purposes of the Statement of Cash Flows, the Electric Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

G. Accounts Receivable

Accounts receivable are presented at their net realizable values. The allowance for doubtful accounts is \$-0- at December 31, 2009 and 2008. The Light Plant participates in the State of Iowa Income Offset Program for the collection of past due accounts.

Customer meters are read the 1<sup>st</sup> of the month. Customers are billed by the 10<sup>th</sup> of the month. Bills are due by the end of the month. Penalties accrue at 1.5% of the total bill thereafter. Delinquent customers have twelve days after receiving a disconnect notice to make payment or arrangements for payment. Disconnection of services may include water.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

H. Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Plant and property	20 - 33 years
Office and other equipment	5 - 25 years
Transportation equipment	3 - 10 years
Telecommunication infrastructure	10 - 40 years

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments that materially extend the life of the asset are capitalized.

I. Customer Deposits

Meter deposits of \$100 are collected from new customers before electric service begins. Customers in good standing get a deposit refund after six months. Delinquent customers forfeit the deposit.

J. Underwriter's Discount - Bond Fees

The underwriter's discount bond fees are stated at their original cost less any accumulated amortization. The underwriter's discount of \$22,538 occurred in 1999 as a result of the issuance of the Electric Revenue Bonds, Series 1999. The underwriter's discount is being amortized over the twenty year life of the bonds.

K. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(2) Cash and Investments**

The Utility Board's deposits in banks at December 31, 2009 and 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No 40.

The Utility's cash and investments at December 31, 2009 and 2008 are as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
December 31, 2009			
Unrestricted	\$ 295,766	\$ 1,922,162	\$ 2,217,928
Restricted	5,000	189,320	194,320
	<u>\$ 300,766</u>	<u>\$ 2,111,482</u>	<u>\$ 2,412,248</u>
December 31, 2008			
Unrestricted	\$ 297,999	\$ 1,770,127	\$ 2,068,126
Restricted	3,800	189,320	193,120
	<u>\$ 301,799</u>	<u>\$ 1,959,447</u>	<u>\$ 2,261,246</u>

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(3) Deferred Patronage Dividends**

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its member municipal electric utilities of Anthon Aurelia, Hinton, Manning, Mapleton and Onawa, Iowa. WIMECA purchases all of its power from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or the value assigned by WIMECA. Deferred patronage dividends are recorded as an asset in the year to which they apply.

Deferred Patronage - WIMECA, Dec. 31, 2008	\$	661,124
Less: Patronage paid in cash		-0-
Add: 2009 Dividends Declared - Deferred		162,624
Deferred Patronage - IMECA, Dec. 31, 2009	\$	<u>823,748</u>

**(4) Restricted Assets**

The Board of Trustees established by resolution, various reserve account funds to accumulate surplus net revenue for the following purposes:

	<u>2009</u>	<u>2008</u>
Customer Deposits - Cash	\$ 5,000	\$ 3,800
Principal & Interest Reserve - Certificates of Deposit	<u>189,320</u>	<u>189,320</u>
	<u>\$ 194,320</u>	<u>\$ 193,120</u>

**(5) Major Customer**

Ag Processing, a local soybean processing plant, purchased electricity totaling \$859,036 and \$722,434 in 2009 and 2008, respectively, which represented 44.48% and 42.89% of total sales each year.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(6) Power Purchase Contract**

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide a steady supply of electricity. In May 2009, an amendment to the contract extended the terms of the agreement till January 1, 2013. Beginning January 1, 2011, however, the terms of the agreement will automatically be extended each year for one additional year, unless one of the parties delivers a notice of intention to terminate before the extension date.

**(7) Contract Rates of Delivery for Firm Power**

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season differs from the rate for firm power during the summer season. A new CROD was agreed upon for the period from January 1, 2006 through December 31, 2014.

**(8) Pension and Retirement Benefits**

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Through June 30, 2009, plan members were required to contribute 4.10% of their annual covered salary and the Utility was required to contribute 6.35% of annual covered payroll. Effective July 1, 2009, the IPERS rates changed and plan members contributed 4.3% of their annual covered salary and the Utility contributed 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the years ended December 31, 2009 and 2008 were \$11,003 and \$10,487, respectively, equal to the required contributions for each year.



**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(9) Related Party Transactions**

<u>City of Manning Note</u>	<u>2009</u>	<u>2008</u>
Interdepartmental note receivable from the City of Manning in the amount of \$175,000. The funds advanced to the City financed street repairs. The City agreed to make annual principal payments of \$25,000 due October 1, 2009 through 2014. The interest rate for the first year was 3.75%. Thereafter, the interest rate is adjusted each October 1 <sup>st</sup> to 1% higher than the interest rate offered on a twelve month certificate of deposit by the Templeton Savings Bank. The interest rate on October 1, 2009 was 2.85%.	\$ 115,000	\$ 150,000

MMCTSU Note

Note receivable from the Manning Municipal Communications and Television System Utility for the broadband communications system. The interest rate is adjusted on July 15 <sup>th</sup> each year to a rate which is 1% higher than that offered by Templeton Savings Bank on a twelve month certificate of deposit. The interest rate on July 15, 2009 was 2.95%. Interest does not accrue on the unpaid interest balance, there are no required principal payments, and payments of principal and interest may not exceed \$100,000 per year. In 2004, The Manning Municipal Light Plant forgave \$200,000 of this note.	\$ 295,000	\$ 300,000
Less: current portion	<u>25,000</u>	<u>25,000</u>
Long-term portion	<u>\$ 385,000</u>	<u>\$ 425,000</u>

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(9) Related Party Transactions (Continued)**

The Utility leases an area of City Hall from the City of Manning through an oral lease agreement. Rent expense charged to operations on this facility for 2009 and 2008 were \$6,000 for each year.

**(10) Note Receivable - Betterment Foundation**

<u>Manning Betterment Foundation</u>	<u>2009</u>	<u>2008</u>
Unsecured note receivable from the Manning Betterment Foundation for \$100,000, dated July 28, 2003. The terms of the note were modified to include semiannual interest payments at 4% from July 28, 2009 through July 28, 2011. Thereafter, principal and interest payments of \$8,337 are due semiannually with final payment due on July 28, 2016. The rate of interest is subject to change throughout the loan period. The interest rate at July 28, 2009 is 4.0%	\$ 68,055	\$ 74,895
Less: current portion	<u>-0-</u>	<u>6,840</u>
Long-term portion	<u>\$ 68,055</u>	<u>\$ 68,055</u>

**(11) Bonds Payable**

On August 17, 1999, the Utility issued \$2,260,000 of Electric Revenue Bonds, Series 1999, under the provisions of Chapter 384 of the Code of Iowa. The bonds are not general obligations of the City of Manning, but are payable from and secured by a pledge of future net revenues of the Electric Utility. Principal payments are due annually on December 1 and interest payments due semi-annually on June 1 and December 1 of each year. The provisions of the bond covenants require the Electric Utility to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest debt service requirements of the Bonds in the amount of \$189,320. The Reserve Fund consists of certificates of deposit.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(11) Bonds Payable (Continued)**

Future scheduled maturities of long-term bonds payable are as follows:

<u>December 1,</u>	<u>Rate</u>		<u>Amount</u>
2010	5.15%	\$	110,000
2011	5.25%		115,000
2012	5.30%		120,000
2013	5.35%		130,000
2014	5.40%		135,000
2015	5.60%		140,000
2016	5.60%		150,000
2017	5.60%		160,000
2018	5.60%		170,000
2019	5.60%		175,000
			<hr/> 1,405,000
Less current portion			(110,000)
		\$	<hr/> 1,295,000

**(12) Loan Guarantee**

In 1998, the Manning Betterment Foundation obtained a \$100,000 loan from Northwest Iowa Power Cooperative's Revolving Loan Fund. The Manning Municipal Light Plant is guarantor on the Betterment Foundation's loan to Western Iowa Municipal Electric Cooperative Association (WIMECA) and to Northwest Iowa Power Cooperative (NIPCO). In the event of default on this loan, Manning Municipal Light Plant will repay the loan. Manning Betterment Foundation is current on its loan payments to NIPCO.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(13) Compensated Absences**

Vacation Payable

Light Plant employees accumulated vacation hours for use each year between anniversary dates of employment. Employees can accumulate up to 10 days of vacation that can transfer over to the following year in the event that available vacation is not used by the end of the benefit year. At no time can an employee carry over more than 10 days of vacation time to the subsequent benefit year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment at their current rate of pay. The accrued vacation payable at December 31, 2009 and 2008 is \$3,268 and \$4,324, respectively.

Sick Leave Payable

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. Unused sick leave benefits are paid to employees upon termination of employment at the rate in which they were earned but only after 24 sick leave days have accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore, an employee would have to work at the Utility for 4 years before the employee would be eligible to be paid for sick leave upon termination. The accrued sick leave payable at December 31, 2009 and 2008 is \$26,071 and \$25,194, respectively.

**(14) Risk Management**

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Manning Municipal Light Plant  
Notes to Financial Statements  
December 31, 2009 and 2008**

**(15) Joint Use Agreement**

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility (MMCTSU) entered into a joint use agreement in regards to the communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communication Utility has been granted the right to use the distribution system, the head-end building, and the Municipal building for a term of twenty-five years. Per terms of the agreement, the Communication Utility will pay \$170,849 annually for twenty-five years with the first payment required on June 30, 2002. MMCTSU postponed the June 30, 2008 payment until June 30, 2027.

**(16) Budgetary Comparison**

The Manning Municipal Light Plant prepares its budget annually on an accrual basis of accounting. Disbursements may not legally exceed budgeted appropriations at the functional level. Actual disbursements for the year ended December 31, 2009 did not exceed the final statutory budget.

<u>Business type activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable</u>
Revenues	\$ <u>2,222,916</u>	\$ <u>2,426,349</u>	\$ <u>203,433</u>
Disbursements	\$ <u>2,361,250</u>	\$ <u>2,282,374</u>	\$ <u>78,876</u>

**(17) Reclassification of Revenues**

The Manning Municipal Light Plant implemented a new electric rate schedule on January 1, 2009 and reclassified customers as follows:

<u>December 31, 2009</u>	<u>December 31, 2008</u>
Residential	Residential
Small Commercial	Commercial
Industrial	Industrial
Large Commercial	Municipal
Street Lights	



## SUPPLEMENTAL INFORMATION

**Schedule 1**

**Manning Municipal Light Plant**  
**Summary of Utility Plant and Accumulated Depreciation**

	Property, Plant and Equipment			
	January 1, 2009	Additions	Deletions	Dec. 31, 2009
<b>PRODUCTION</b>				
Land	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Structures and improvements	150,469	-0-	16,300	134,169
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	200,800	-0-	-0-	200,800
Accessory electric equipment	847,338	-0-	-0-	847,338
	<u>1,209,607</u>	<u>-0-</u>	<u>16,300</u>	<u>1,193,307</u>
<b>TRANSMISSION</b>				
Poles	12,204	-0-	3,450	8,754
Overhead conductors	4,300	-0-	4,300	-0-
	<u>16,504</u>	<u>-0-</u>	<u>7,750</u>	<u>8,754</u>
<b>DISTRIBUTION</b>				
Poles and fixtures	30,681	-0-	26,975	3,706
Overhead conductors	5,757	-0-	-0-	5,757
Underground conductors	2,739,376	25,922	537,196	2,228,102
Line transformers	656,673	-0-	-0-	656,673
Services	254,290	-0-	-0-	254,290
Meters	43,703	4,481	-0-	48,184
Leased customer property	820	-0-	820	-0-
Street lighting	340,849	-0-	-0-	340,849
Load management under-ground conductor	136,000	-0-	136,000	-0-
	<u>4,208,149</u>	<u>30,403</u>	<u>700,991</u>	<u>3,537,561</u>
<b>GENERAL</b>				
Structures - garage	40,435	-0-	-0-	40,435
Office furniture and equipment	95,002	19,042	19,272	94,772
Transportation equipment	231,917	-0-	618	231,299
Communication equipment	78,390	-0-	73,703	4,687
Miscellaneous equipment	125,985	-0-	12,511	113,474
	<u>571,729</u>	<u>19,042</u>	<u>106,104</u>	<u>484,667</u>
<b>TELECOMMUNICATIONS</b>				
Infrastructure	2,337,118	-0-	-0-	2,337,118
<b>Totals</b>	<u>\$ 8,343,107</u>	<u>\$ 49,445</u>	<u>\$ 831,145</u>	<u>\$ 7,561,407</u>



**Schedule 1**  
**(Continued)**

	Accumulated Depreciation			
	January 1, 2009	Additions	Deletions	Dec. 31, 2009
<b>PRODUCTION</b>				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Structures and improvements	77,543	4,718	16,300	65,961
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	170,800	5,176	-0-	175,976
Accessory electric equipment	780,895	17,959	-0-	798,854
	<u>1,031,738</u>	<u>27,853</u>	<u>16,300</u>	<u>1,043,291</u>
<b>TRANSMISSION</b>				
Poles	4,598	438	3,450	1,586
Overhead conductors	4,300	-0-	4,300	-0-
	<u>8,898</u>	<u>438</u>	<u>7,750</u>	<u>1,586</u>
<b>DISTRIBUTION</b>				
Poles and fixtures	28,506	185	26,975	1,716
Overhead conductors	3,098	287	-0-	3,385
Underground conductors	1,000,796	110,757	537,196	574,357
Line transformers	380,575	19,220	-0-	399,795
Services	208,898	3,122	-0-	212,020
Meters	13,217	2,372	-0-	15,589
Leased customer property	820	-0-	820	-0-
Street lighting	235,443	10,356	-0-	245,799
Load management under-ground conductor	136,000	-0-	136,000	-0-
	<u>2,007,353</u>	<u>146,299</u>	<u>700,991</u>	<u>1,452,661</u>
<b>GENERAL</b>				
Structures - garage	35,894	576	-0-	36,470
Office furniture and equipment	68,448	6,058	19,272	55,234
Transportation equipment	230,146	1,771	618	231,299
Communication equipment	77,884	198	73,703	4,379
Miscellaneous equipment	90,152	7,848	12,511	85,489
	<u>502,524</u>	<u>16,451</u>	<u>106,104</u>	<u>412,871</u>
<b>TELECOMMUNICATIONS</b>				
Infrastructure	1,075,585	139,475	-0-	1,215,060
<b>Totals</b>	<u>\$ 4,626,098</u>	<u>\$ 330,516</u>	<u>\$ 831,145</u>	<u>\$ 4,125,469</u>



**Schedule 2**

**Manning Municipal Light Plant  
Investments and Interest Income  
For the Year Ended December 31, 2009**

	<u>Investments</u>	<u>Interest</u>
Certificates of deposit, beginning of year	\$ 1,959,447	
Purchases	1,926,404	
Redemptions	(1,774,369)	
Certificates of deposit, end of year	\$ <u>2,111,482</u>	\$ 54,947
Other interest income		
City of Manning note		323
General checking account		3,225
Savings accounts		80
Cable Utility note		14,910
Manning Betterment Foundation note		<u>2,742</u>
Total interest income		\$ <u>76,227</u>

**Schedule 3**

**Manning Municipal Light Plant  
Operating Expenses  
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
PRODUCTION			
Salaries	\$ 18,281	\$ 17,320	\$ 961
Purchased power	1,470,851	1,268,598	202,253
Other expenses	321	1,991	(1,670)
Provision for depreciation	27,852	22,679	5,173
Plant utilities	3,466	6,323	(2,857)
	<u>1,520,771</u>	<u>1,316,911</u>	<u>203,860</u>
DISTRIBUTION			
Salaries	91,642	80,019	11,623
Maintenance salaries for cable utility	630	1,405	(775)
Maintenance materials, labor, overhead	17,552	11,908	5,644
Substation coordination study	-0-	7,500	(7,500)
Street light maintenance	3,689	8,618	(4,929)
Truck expense	4,217	8,252	(4,035)
Provision for depreciation	146,738	145,402	1,336
	<u>264,468</u>	<u>263,104</u>	<u>1,364</u>
ACCOUNTING AND COLLECTION			
Office salaries	17,228	13,512	3,716
Meter reading salaries	5,412	4,692	720
Office supplies and billing expenses	2,010	1,858	152
Office maintenance	719	1,045	(326)
Building and shop maintenance	30	1,214	(1,184)
Postage	2,177	3,177	(1,000)
Rent	6,000	6,000	-0-
Telephone	4,208	4,249	(41)
Computer maintenance and software	5,193	8,769	(3,576)
Rate study	1,350	12,150	(10,800)
	<u>44,327</u>	<u>56,666</u>	<u>(12,339)</u>

**Schedule 3**  
**(Continued)**

**Manning Municipal Light Plant**  
**Operating Expenses**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	Increase (Decrease)
ADMINISTRATION AND GENERAL			
Salaries	\$ 53,171	\$ 46,647	\$ 6,524
Payroll taxes	-0-	17,335	(17,335)
Employee insurance	47,019	34,006	13,013
Property and liability insurance	25,944	26,420	(476)
Audit and accounting services	7,125	6,690	435
Legal and professional services	9,284	1,972	7,312
Seminars and meetings	5,320	5,105	215
Dues	7,968	6,472	1,496
Uniforms	552	237	315
Trustee fees	2,995	2,995	-0-
Energy efficiency program	7,598	1,901	5,697
Legal notices and advertising	1,000	1,095	(95)
Other expenses	219	908	(689)
Provision for depreciation	16,452	36,300	(19,848)
	<u>184,647</u>	<u>188,083</u>	<u>(3,436)</u>
 Total Operating Expenses	 \$ <u>2,014,213</u>	 \$ <u>1,824,764</u>	 \$ <u>189,449</u>



**Schedule 4**

**Manning Municipal Light Plant  
Comparative Statistical Data  
(Unaudited)**

	<u>Year Ended December 31,</u>			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>SOURCES OF KILOWATT HOURS</b>				
KWRS purchased	36,218,533	37,302,899	37,426,533	36,524,518
KWHRS generated	<u>1,460</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	36,219,993	37,302,899	37,426,533	36,524,518
<b>ANALYSIS OF KILOWATT HOURS</b>				
Residential	7,644,242	-0-	-0-	-0-
Small commercial	1,692,579	-0-	-0-	-0-
Industrial	19,315,214	-0-	-0-	-0-
Large commercial	6,106,823	-0-	-0-	-0-
Street lights	354,098	-0-	-0-	-0-
Residential	-0-	8,238,834	7,804,766	7,412,940
Commercial	-0-	3,274,385	3,212,205	3,200,121
Industrial	-0-	23,457,744	23,469,336	23,314,093
Municipal	<u>-0-</u>	<u>915,601</u>	<u>829,184</u>	<u>751,809</u>
Subtotals	35,112,956	35,886,564	35,315,491	34,678,963
KWHRS not sold				
Street lights	-0-	639,649	548,833	513,253
Utility plant and office	173,080	157,720	186,480	126,420
Generated	1,460	-0-	-0-	-0-
Line loss	<u>932,497</u>	<u>618,966</u>	<u>1,375,729</u>	<u>1,205,882</u>
Subtotals not sold	1,107,037	1,416,335	2,111,042	1,845,555
Totals	<u>36,219,993</u>	<u>37,302,899</u>	<u>37,426,533</u>	<u>36,524,518</u>
LINE LOSS PERCENTAGE	2.57%	1.66%	3.68%	3.30%
<b>NUMBER OF CUSTOMERS</b>				
Residential	704	-0-	-0-	-0-
Small commercial	123	-0-	-0-	-0-
Industrial	1	-0-	-0-	-0-
Large commercial	39	-0-	-0-	-0-
Street lights	1	-0-	-0-	-0-
Residential	-0-	748	749	741
Commercial	-0-	131	130	131
Industrial	-0-	18	18	18
Municipal	<u>-0-</u>	<u>13</u>	<u>13</u>	<u>13</u>
Total	<u>868</u>	<u>910</u>	<u>910</u>	<u>903</u>

The comparative statistical data is the presentation of management. No audit procedures have been applied.





**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Prepared in Accordance with  
*Government Auditing Standards***

# MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

February 15, 2010

Lonnie G. Muxfeldt  
Certified Public  
Accountant

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Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Prepared in Accordance with *Government Auditing  
Standards*

To the Board of Trustees of the  
Manning Municipal Light Plant

I have audited the accompanying financial statements of the Manning Municipal Light Plant as of and for the year ended December 31, 2009, and have issued my report thereon dated February 15, 2010. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Manning Municipal Light Plant's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency and a material weakness.

February 15, 2010  
Manning Municipal Light Plant  
Report on Internal Control

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Manning Municipal Light Plant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Manning Municipal Light Plant's financial statements that is more than inconsequential will not be prevented or detected by Manning Municipal Light Plant's internal control. I consider the control deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Manning Municipal Light Plant's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, I believe the significant deficiency described above to be also a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed in instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.



February 15, 2010  
Manning Municipal Light Plant  
Report on Internal Control

Manning Municipal Light Plant's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Utility's responses, I did not audit the Light Plant's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Manning Municipal Light Plant and other parties to whom the Utility may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Manning Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matter, I shall be pleased to discuss them with you at your convenience.

*Murphy Associates, CPA, P.C.*



**Manning Municipal Light Plant  
Schedule of Findings  
Year Ended December 31, 2009**

**Part I: Summary of the Independent Auditor's Results**

- a) An unqualified opinion was issued on the financial statements.
- b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

II-A-09     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that a segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with the staff available.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**Manning Municipal Light Plant  
Schedule of Findings  
Year Ended December 31, 2009**

**Part II: Findings Related to the Financial Statements (Continued)**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Other Findings Related to Statutory Reporting**

- III-A-09    Certified Budget - Total disbursements during the year ended December 31, 2009 did not exceed the amounts budgeted.
- III-B-09    Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-09    Travel Expense - No disbursements of Municipal Utility's money for travel expenses of spouses of Municipal Utility's officials or employees were noted.
- III-D-09    Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Trustee, Rasmussen Lumber, owner	Parts, supplies, tools	\$ 163
Lynn Stein, Trustee, Manning Motor, part owner	Vehicle maintenance	\$ 539
Napa, part owner	Parts, supplies, tools	\$ 348

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Utility's Trustees do not appear to represent conflicts of interest since total transactions were less than \$2,500 per individual during the year.



**Manning Municipal Light Plant  
Schedule of Findings  
Year Ended December 31, 2009**

**Part III: Other Findings Related to Statutory Reporting (Continued)**

III-E-09    Bond Coverage - surety bond coverage of Utility officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09    Deposits and Investments - I noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Electric Utility's investment policy.

III-G-09    Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not. It was noted, however, that claims were not always totaled for Board approval or publication.

Recommendation - Section 372.13(6) of the Code of Iowa requires that *"The publication shall include a list of all claims allowed...and shall show the gross amount of the claims."*

Response - The claims will be totaled in future for Board approval and publication.

Conclusion - Response accepted.



## **NEWS RELEASE**

### **MANNING MUNICIPAL LIGHT PLANT**

#### **Manning, Iowa 51455**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the Manning Municipal Light Plant of Manning, Iowa.

Muxfeldt Associates, CPA, P.C, reported that the Utility Board's revenues totaled \$2,426,349 for the year ended December 31, 2009, a 25 percent increase from 2008. The revenues included \$1,930,997 in electricity sales, \$171,960 in rental income, \$76,227 in interest income, and \$247,165 in other revenues.

Expenses for the year totaled \$2,282,374, a 4.5 percent increase from 2008. The expenses included \$1,520,771 for production, \$264,468 for distribution, \$44,327 for accounting and collection, \$184,647 for administrative and general expenses, \$81,688 for interest expense and \$186,473 for other expenses.

A copy of the audit report is available for review in the office of Manning Municipal Light Plant, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

